

# [***US Steel's shareholders just voted to end more than a century of American ownership. It may not matter***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BSK-V901-DY7V-G02F-00000-00&context=1516831)

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**Body**

New York (CNN) &#8212; US Steel shareholders Friday overwhelmingly approved a deal for the iconic American manufacturer to be purchased by Japan's Nippon Steel. But the outlook for the controversial merger has never looked so bad.

The deal is significant, not just for the future of what is still a key US industry central to building everything from cars to appliances to roads and bridges, it is also at the center of election year ***politics*** and relations between the United States and Japan, a major ally.

The company announced that 98% of shares voted on the measure were in favor of the [*$14 billion deal*](https://www.cnn.com/2023/12/18/investing/us-steel-nippon-steel-deal/index.html).

"The overwhelming support from our stockholders is a clear endorsement that they recognize the compelling rationale for our transaction with Nippon Steel," said US Steel CEO David Burritt. "This is an important milestone. This transaction truly represents the best path forward for all of US Steel's stakeholders - union and non-union employees, customers, communities and stockholders - and for the United States."

But the deal faces signficant opposition from the United Steelworkers union and politicians on both sides of the aisle.

"We are not surprised by stockholders electing to cash in and sell out the iconic American company's employees and retirees, along with the communities where we live and work," said a statement from the USW. "Wall Street investors and U.S. Steel executives obviously stand to gain the most from Nippon ... while leaving union members in the cold. Thankfully, today's vote isn't the end of the story: The decision ultimately isn't simply up to shareholders and executives."

For the deal to close, it needs approval from both the Justice Department, which enforces antitrust laws, and the normally low profile but powerful Committee on Foreign Investment in the United States, made up of members of the President Joe Biden's cabinet, including the secretaries of Treasury, Commerce, Defense, State, Homeland Security and the Attorney General.

And last month [*Biden came out publicly against the proposed deal*](https://www.cnn.com/2024/03/14/economy/biden-says-us-steel-should-remain-american/index.html).

"It is important that we maintain strong American steel companies powered by American steelworkers," he said. "US Steel has been an iconic American steel company for more than a century, and it is vital for it to remain an American steel company that is domestically owned and operated."

Experts said opposition from Biden and other politicians - both Republican and Democrats - make it unlikely the deal will win approval.

"It's readily apparent ... that electoral ***politics*** has overwhelmed any serious evaluation of this deal's national security risk," said Michael Leiter, head of the CFIUS and national security practices at law firm Skadden, Arps, Slate, Meagher & Flom. "That's regrettable, but if you're a US Steel shareholder it is impossible to ignore when evaluating the diminishing likelihood of a successful sale."

Impact on US-Japanese relations

Biden and Japanese Prime Minister Kishida Fumio, who is on a state visit to the United States this week, both dodged questions about the deal at a joint press conference Wednesday.

"We understand that discussions are underway between the parties," said Kishida. "We hope that discussion will unfold in a direction that will be positive for both sides. Japan believes that appropriate procedures based on law is being implemented by the US government."

"I stand by my commitment to American workers," said Biden. "I'm a man of my word. I'm going to keep it. And in regards to that, I stand by our commitment to our alliance. This is exactly what we're doing with a strong alliance as well."

A senior administration official, in a briefing with journalists before the prime minister's visit, said the administration's opposition to the deal shouldn't hurt relations between the countries.

"The relationship between the United States and Japan is far bigger and more significant than a single commercial deal," said the official, who spoke on background. "Six weeks ago, the United States gave Mitsui, a Japanese company, a $20 billion deal to build a crane factory here in the United States and replace all our port cranes throughout the United States. Nothing says 'trusted ally' like a $20 billion contract with a Japanese company.

"Everybody understands where we are," the senior official continued. "We're in a different place fundamentally. And I just think that this single commercial transaction does not define not only the visit, but the relationship."

Concern for union jobs

In his statement last month, Biden acknowledged that opposition to the deal by the United Steelworkers union was part of the reason for his decision.

"I told our steelworkers I have their backs, and I meant it," he said.

And a week after Biden came out against the deal, the USW endorsed Biden for re-election.

It's not just Biden opposing the deal. Numerous Republicans, including Ohio Senator JD Vance, have also denounced the deal, and this week charged that US Steel misled shareholders when seeking support for the deal because it failed "to accurately convey the significant political obstacles and regulatory risks the merger faces."

Shares of US Steel stock plunged Thursday in the wake of Biden's comment, closing 23% below Nippon's $55 a share asking price. It made shareholder approval a virtual certainty ahead of the vote, said Phil Gibbs, steel analyst with KeyBanc, even if the deal is eventually blocked. Share were down nearly 3% in afternoon trading Friday even after the vote.

"The stock was trading at $20 a share not long ago. Of course they they think it's a great deal," he said.

What happens next?

If the deal ends up being blocked, it's not clear what happens next.

The nation's automakers wrote to the White House after Biden announced his opposition to the Nippon-US Steel deal to say a Cleveland Cliffs-US Steel deal would place 65% to 90% of steel used in vehicles under the control of a single company. It said it therefore supported the Nippon deal for US Steel instead.

US Steel rival Cleveland Cliffs, the nation's other major unionized steelmaker, tried to buy US Steel last summer, only to have its $32.53 a share cash-and-stock offer rejected by the company. And Gibbs said despite the support such a deal would have from the USW, it's not clear it would be able to win approval from antitrust regulators.

"American jobs ... rely on a fair and competitive steel industry too," the auto industry trade group said in its letter to the White House. "If the administration has concerns about the Nippon Steel deal, it must seriously consider alternative outcomes. One option that should not be on the table is an arrangement that creates a market concentration of domestic steel production in a single company."

Different ways to make steel

Neither US Steel nor Cleveland Cliffs are the largest American steel company today. That would be Nucor, which makes steel with electric furnaces that melt scrap and other raw materials, rather than with the massive blast furnaces used by US Steel and Cleveland Cliffs.

Electric furnaces are more efficient, both in energy use and labor needed, than traditional integrated steel mills that use blast furnaces to make steel from raw materials like iron ore. But Nucor and other steelmakers using electric furnaces have been unable to produce the quality of steel needed by the auto industry - despite decades of trying - partly because their business model means its more profitable to make mass quantities of lower grade steel, said Gibbs.

"Auto steel is still a relatively niche product," he said. "I think new mills are working in that direction. But it's not something they can do overnight. Nucor has been working on this for a long time."

He said Nucor could make automotive quality steel, but it just can't make much money doing it.

"In this market, it hasn't been a good use of their time," he said.

US Steel has purchased its own electric furnaces to make steel in Arkansas, a nonunion operation that is valued more highly by Nippon in this deal than its unionized blast furnace operations, to which it has assigned relatively little value.

That's a major reason the USW so strongly opposes the deal, the fear that Nippon would eventually close the blast furnaces operations that employ its members. Nippon insists it will honor US Steel's contracts with the union should the deal go through.

US Steel still wants the deal

US Steel said last month in the wake of Biden's comments that it is still hopeful the deal will be approved and close.

"The President said he has the backs of the steelworkers. So do we," US Steel said in a statement. "As part of this investment to grow US Steel and the American steel market, it has been made clear that there will be no job losses, no plant closures and no transfer of production resulting from this transaction."

"US Steel's union commitments will be honored and benefit from increased financial strength. US Steel products, supported by significant capital investments from Nippon Steel, will remain mined, melted and made in America," the company said. "We strongly believe this is the best path forward for employees, customers, stockholders and the United States."

But the USW said there is nothing in the negotiation behind the deal that would lead it to trust either company to live up to its commitments. It said a letter it received last month from Nippon was "nothing more than another collection of empty promises and open-ended language that would enable it to skirt obligations to workers and retirees."

"Essentially, the loss of critical natural resources and the loss of capital needed to produce it is a national security issue," said KeyBanc's Gibbs. "It's a building block for anything you want to do from infrastructure to consumer durables."

The national security concerns of the union and politicians opposed to the deal are legitimate, even if steel isn't thought of as a military asset the way computer chips or other technology might be, according to Gibbs. The loss of the ability to make steel from raw materials - and have the workers trained to make that steel - would have a significant impact, he said.

And given the election year ***politics***, the USW and its ally at Cleveland Cliffs have a fair amount of leverage in fighting this deal, said Gibbs.

"I don't think the union has held this much leverage in a transaction like this. It's decided it might as well use it," he said.

By Chris Isidore, CNN

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